

REPORT BY THE  
AUDITOR GENERAL  
OF CALIFORNIA

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A REVIEW OF THE CALIFORNIA MARITIME ACADEMY'S  
INTERACTIONS WITH THE  
CALIFORNIA MARITIME ACADEMY FOUNDATION

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OFFICE OF THE AUDITOR GENERAL

F-759

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INTERACTIONS WITH THE  
CALIFORNIA MARITIME ACADEMY FOUNDATION

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Thomas W. Hayes  
Auditor General

November 25, 1987

F-759

Honorable Art Agnos, Chairman  
Members, Joint Legislative  
Audit Committee  
State Capitol, Room 3151  
Sacramento, California 95814

Dear Mr. Chairman and Members:

The Office of the Auditor General presents its report concerning the need for the California Maritime Academy to improve management control in its interactions with the California Maritime Academy Foundation. Further, the foundation should be subject to the same fiscal controls as the academy to ensure that state and federal assets are protected in interactions between the academy and the foundation.

Respectfully submitted,

*Thomas W. Hayes*  
THOMAS W. HAYES  
Auditor General

## TABLE OF CONTENTS

	<u>Page</u>
<b>SUMMARY</b>	S-1
<b>INTRODUCTION</b>	1
<b>AUDIT RESULTS</b>	
I    THE CALIFORNIA MARITIME ACADEMY'S USE OF THE GOLDEN BEAR, A FEDERAL TRAINING SHIP	5
CONCLUSION	10
RECOMMENDATIONS	10
II   THE CALIFORNIA MARITIME ACADEMY'S MANAGEMENT OF CONTRACTS	13
CONCLUSION	23
RECOMMENDATIONS	24
<b>APPENDIX</b>	
LEGISLATIVE COUNSEL'S OPINION ON THE USE OF THE GOLDEN BEAR	27
<b>RESPONSE TO THE AUDITOR GENERAL'S REPORT</b>	
CALIFORNIA MARITIME ACADEMY	35

## SUMMARY

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### RESULTS IN BRIEF

The California Maritime Academy (academy) has not exercised sufficient management control to protect state and federal assets. The following conditions resulted from this lack of management control:

- The academy allowed the California Maritime Academy Foundation (foundation) to charge 255 passengers for a cruise to Expo '86 in Canada on the Golden Bear, which is a federal training ship. Academy officials may be subject to federal and state civil or criminal penalties for taking unauthorized passengers on the cruise. In addition, the foundation retained profits of \$25,600 from the fees it charged the passengers;
- The academy did not solicit competitive bids when it contracted with the foundation to operate the campus store and canteen. Also, the academy did not submit the contract to the Department of General Services for approval and did not charge the foundation an estimated \$13,500 in annual costs for the use of academy facilities and equipment. Furthermore, the contract does not follow state requirements in terms of content and format;
- The academy did not collect \$6,300 in back rent owed by the former operator of the campus store and canteen;
- The academy did not solicit competitive bids when it contracted with the foundation for computer equipment. Also, the academy did not adequately monitor its computer contracts with the foundation. As a result of these conditions, the academy has paid \$208,000 for a computer system that the academy believed it was purchasing although the computer system still belongs to the foundation;
- Contracts and agreements for academy projects that totaled \$122,100 were not signed by an

authorized academy official and were not reviewed or approved by the Department of General Services as required; and

- \$101,200 of academy money from improperly authorized contracts and agreements was deposited into the foundation checking account, which is outside of state fiscal control. Because the money was not deposited into the State Treasury, the State lost approximately \$1,300 in interest revenue.

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## **BACKGROUND**

The academy, which has approximately 400 students, is a four-year residential college that trains men and women for careers in the maritime industry. The academy is governed by an independent seven-member board of governors appointed by the Governor of California. In fiscal year 1987-88, the State budgeted \$6.5 million to support the academy.

The foundation is a private, nonprofit corporation that is not subject to state fiscal controls. It was formed in 1972 by alumni of the academy and interested businessmen from the maritime industry. The purpose of the foundation, which is governed by a board of trustees, is to provide assistance to the academy. The deputy president of the academy is also the president of the foundation. The foundation office is housed in the academy's administration building.

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## **PRINCIPAL FINDINGS**

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### **The California Maritime Academy Allowed Inappropriate Use of Federal Property by the California Maritime Academy Foundation**

The academy allowed the foundation to take 255 fee-paying passengers on a cruise to Expo '86 in Canada on the Golden Bear, which is a federal training ship. The president of the academy and his deputy, who is also commanding officer of the training ship, failed to inform

the federal government or the academy's board of governors of their decision to take fee-paying passengers on the cruise. As a result, state officials may be subject to federal and state civil or criminal penalties for carrying unauthorized passengers on the ship. In addition, the foundation retained profits of \$25,600 from the fees that it charged to the 255 passengers. Currently, the United States Coast Guard is conducting an investigation to determine if these actions are a violation of maritime law.

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#### The California Maritime Academy Improperly Managed Contracts

The president of the academy contracted with his deputy, who was representing the foundation as its president, for the foundation to run the campus store and canteen. The academy did not solicit competitive bids for the contract, did not submit the contract to the Department of General Services for approval, and did not charge the foundation an estimated \$13,500 in annual costs for the use of academy facilities. Further, the contract does not follow state requirements in terms of content and format. In addition, the academy did not collect \$6,300 in back rent owed by the former operator of the campus store and canteen.

Further, when it contracted with the foundation for computer services, the academy did not follow state contracting procedures and submitted inaccurate and incomplete information to the Department of General Services. As a result, the academy paid \$208,000 for a computer system that it believed it was purchasing although the system still belongs to the foundation. The deputy president of the academy estimates that it would cost the academy an additional \$119,000 to purchase the system. The computer vendor estimates that a new and better system would cost \$72,500.

Finally, the president of the academy did not adequately monitor projects administered by the academy's Department of Continuing Maritime Education. Contracts and agreements for academy projects that totaled \$122,100 were not signed by an authorized academy official and

were not reviewed or approved by the Department of General Services as required. Furthermore, as a result of inadequate monitoring by the academy, \$101,200 of tuition and contract payments related to the projects was deposited into the foundation checking account, which is not subject to state fiscal controls. Because the money was not deposited into the State Treasury as required, the State lost \$1,300 in interest revenue.

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## RECOMMENDATIONS

To protect state and federal assets, the academy's board of governors should take the following actions:

- Cooperate fully with the investigation that is being conducted by the United States Coast Guard;
- Inform the State Attorney General's Office of possible violations of federal and state laws by academy officials, and, to ensure that the State's interests are protected, involve the Attorney General's Office in any negotiations with federal officials;
- Establish written procedures to keep the board of governors fully informed as to how the academy is using the Golden Bear;
- Ensure that the academy follows required state contracting procedures and that academy money is deposited into the State Treasury as required;
- Require the academy to charge the foundation for the use of state facilities and equipment;
- Direct the academy to collect the \$6,300 in back rent owed by the former operator of the campus store and canteen; and
- Direct the academy to develop written guidelines to ensure that future contracts with the foundation protect the State's interest.

In addition, to ensure that state assets are protected in transactions between the academy and the foundation, the Legislature should amend the California Education Code to require that the foundation be subject to the same fiscal controls as foundations and auxiliaries of the California State University System.

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#### **AGENCY COMMENTS**

The president of the California Maritime Academy reports that since this is the first review of the relationship between the academy and the foundation, errors were discovered. The academy, with the cooperation of the foundation, intends to correct these errors and comply with the recommendations of the Office of the Auditor General. The president also reports that the board of governors of the California Maritime Academy will separately respond to this report.

## INTRODUCTION

The California Maritime Academy (academy) was established in 1929 to educate officers for the United States Merchant Marine. The academy's four-year programs lead to a bachelor of science degree that prepares students for careers in the maritime industry. The academy is a residential college with a student enrollment of approximately 400 students. In addition to classroom instruction, students take a yearly three-month cruise aboard the Golden Bear, which is a ship that the federal government loans to the academy for use as a training vessel. Ship maintenance and fuel costs are paid by the federal government. The academy, which is established within the State Department of Education, is administered by a seven-member board of governors appointed by the Governor of California. To pay for its programs in fiscal year 1987-88, the academy requested approximately \$6.5 million in funding from the State.

The California Maritime Academy Foundation (foundation) is a private, nonprofit corporation established in 1972 to support the educational programs of the academy through the donation of funds, services, training aids, and professional skills. Sources of foundation revenue include grants from corporate and educational foundations, cash donations, and boats donated to and sold by the foundation. The foundation is governed by a board of trustees that includes the president of the academy. In addition, the deputy president of the academy is the president of the foundation.

## SCOPE AND METHODOLOGY

The initial purpose of our review was to identify transactions between the foundation and the academy and to determine the effect of these transactions, if any, on the financial audit of the academy that the Office of the Auditor General was also conducting. To accomplish this purpose, it was essential for us to review foundation records.

Our initial request for access to foundation records was denied by the foundation president because the foundation's attorney advised him that access to any of the foundation records was not a legal right of the Office of the Auditor General. We obtained an opinion from the Legislative Counsel that confirmed the opinion of the foundation's attorney. Nevertheless, as a courtesy, the foundation's board of trustees gave us limited access to specific documents. However, because our access to the records was limited, the scope of this audit is also limited, and we may not have identified or reviewed all the transactions between the foundation and the academy. We also identified some issues that relate solely to the foundation. At a later date, we will present the results of this examination in a separate report to the chairman of the board of trustees of the foundation.

In conducting this audit, we interviewed personnel at the academy and the foundation. Additionally, we reviewed the foundation's financial statements, tax returns, and other relevant financial

records. We also identified and reviewed specific transactions between the foundation and the academy and examined related foundation and academy documents to determine if the transactions complied with state and federal laws and regulations.

## AUDIT RESULTS

### I

#### THE CALIFORNIA MARITIME ACADEMY'S USE OF THE GOLDEN BEAR, A FEDERAL TRAINING SHIP

The California Maritime Academy (academy) allowed the California Maritime Academy Foundation (foundation) to inappropriately use the Golden Bear, which is a federal training ship. The foundation collected fees and retained the profit from 255 unauthorized passengers who took a cruise on the Golden Bear to Expo '86 in Canada. The president of the academy and his deputy, who is also commander of the training ship, failed to inform federal officials or the academy's board of governors that they intended to take fee-paying passengers on the cruise. Currently, the United States Coast Guard is conducting an investigation to determine if the academy has violated federal maritime law by using the Golden Bear to carry passengers. As a result of allowing unauthorized passengers on the ship, academy officials may be subject to federal and state civil or criminal penalties.

#### Inappropriate Use of the Golden Bear

From July 26 through August 6, 1986, staff and students of the academy took the Golden Bear, which is a federal training ship, to Expo '86 in Canada. The foundation charged a fee for foundation and academy staff, families, and friends to go on the cruise and retained a

\$25,600 profit, which includes the fees paid by the 255 cruise participants who were not crew members or academy students. According to the deputy president of the academy, who is also the commanding officer of the training ship, the academy and the foundation offered the cruise to raise funds. Before the cruise to Expo '86, neither the president of the academy nor his deputy informed federal officials or the academy's board of governors that the foundation would have fee-paying passengers on the cruise. Currently, the United States Coast Guard is conducting a complete investigation to determine if the academy has violated federal maritime law by using the Golden Bear to carry fee-paying passengers.

The Golden Bear belongs to the federal government, and the academy is to use the ship for training purposes only. The director of the Office of Maritime Labor and Training within the federal Department of Transportation, who administers the training vessel program, stated that he had not been informed by academy officials that the ship had carried 255 passengers on the cruise to Expo '86 or that the foundation had made a profit of \$25,600. The director further stated that no known basis exists in Title XIII of the Merchant Marine Act of 1936 that could be construed to permit the carriage of fee-paying passengers aboard a government-owned training ship. He also stated that the commanding officer of the training ship does not have the authority to use the ship for any purpose other than the training of young men and women to be merchant marines.

The Golden Bear is not certified to carry any passengers. Section 3301 and Section 3311 of the United States Code, Title 46, require that a ship obtain a certificate of inspection. Further, Section 3501 of the United States Code, Title 46, requires the certificate to show the number of passengers that the ship is permitted to carry, and Section 3501 also specifies that a liability exists for carrying more passengers than allowed. The Golden Bear's certificate of inspection states that the ship may carry no passengers.

We requested an opinion from the Legislative Counsel (see Appendix A for the complete opinion) as to whether or not the foundation could use the Golden Bear as a passenger vessel and make a profit by charging the passengers fees. The Legislative Counsel stated that the foundation, acting through its president, unlawfully used the training ship as a passenger vessel and unlawfully made a profit by charging a fee for passenger accommodations. The Legislative Counsel cited Section 504 of the California Penal Code, which has been interpreted to prohibit the unauthorized use of government property by public officials, and concluded, "As an official of the academy, the president of the foundation acted to cause the ship to be used for an unauthorized purpose, namely, as a passenger vessel for profit to the foundation." In addition, the Legislative Counsel stated that the action also violated Section 641 of the United States Code, Title 18, which prohibits the unauthorized use of federal property.

Possible Consequences of the  
Inappropriate Use of the Golden Bear

We also requested that the Legislative Counsel determine who would be liable for paying any fines or penalties that could result from the unlawful use of the training vessel. According to the Legislative Counsel, under the terms of Section 3318(a) of the United States Code, Title 46, both the board of governors of the academy and the president of the academy would be liable for violation of the certification and inspection requirements governing passenger vessels if the academy training ship was used as a passenger vessel. Further, under Section 3318(a), the commanding officer of the training ship would also be liable for violating these requirements during the time the ship was being used to carry passengers. Liability could include a civil penalty of \$5,000 for each individual responsible. In addition, Section 3501 of the United States Code, Title 46, provides that each passenger can recover the cost of passage and \$100 for each passenger on board in excess of the number of passengers that a ship is certified to carry. Furthermore, according to the Legislative Counsel, the deputy president of the academy, as the person who caused the training ship to be used as a passenger vessel, may be liable for violation of Section 504 of the California Penal Code, which prohibits the unauthorized use of state property, and Section 641 of the United States Code, Title 18, which prohibits the unauthorized use of federal property.

Even though Section 3318 of the United States Code, Title 46, states that the academy's board of governors can be held personally responsible for violations of regulations applicable to a training vessel, neither the president of the academy nor his deputy informed the academy's board of governors that the foundation would have fee-paying passengers on the cruise to Expo '86. At a meeting before the cruise, the academy's board of governors approved the use of the Golden Bear for the cruise. However, the board was not told by the deputy president of the academy that 255 passengers, in addition to the academy crew, would be on the cruise and that the foundation intended to keep the profit from the fees collected. After the cruise, the academy president told the board of governors that the passengers had paid "cost." No profit was mentioned.

Finally, the deputy president of the academy, in his additional role as president of the foundation, did inform the foundation's board of trustees before the cruise that the profit from the fees charged to the passengers on the cruise would be kept by the foundation. According to the Legislative Counsel, the foundation, as a corporate entity, is responsible for actions officially taken by its officers. In this case, the foundation may be subject to liability for the actions of its president.

## CONCLUSION

The California Maritime Academy has allowed the California Maritime Academy Foundation to inappropriately use the Golden Bear, which is a federal training ship. The foundation collected fees and retained the profit from 255 unauthorized passengers who took a cruise on the Golden Bear to Expo '86 in Canada. The president of the academy and his deputy, who is also commander of the training ship, failed to notify federal officials or the academy's board of governors of their decision to take fee-paying passengers on the cruise. Currently, the United States Coast Guard is conducting an investigation to determine if the academy has violated federal maritime law by using the Golden Bear to carry passengers. As a result of allowing unauthorized passengers on the ship, state officials may be subject to federal and state civil or criminal penalties.

## RECOMMENDATIONS

To protect state and federal assets, the board of governors of the California Maritime Academy should take the following actions:

- Cooperate fully with the investigation that is being conducted by the United States Coast Guard;

- Inform the State Attorney General's Office of possible violations of federal and state law by academy officials, and, to ensure that the State's interests are protected, involve the Attorney General's Office in any negotiations with federal officials; and
- Establish written procedures to keep the board of governors fully informed as to how the academy is using the Golden Bear.

THE CALIFORNIA MARITIME ACADEMY'S  
MANAGEMENT OF CONTRACTS

The California Maritime Academy (academy) did not follow state procedures when it contracted with the California Maritime Academy Foundation (foundation) or when it developed projects for the academy's Department of Continuing Maritime Education. Specifically, the academy contracted with the foundation to run the campus store and canteen but did not solicit competitive bids, did not submit the contract to the Department of General Services for review and approval, and did not require reimbursement for an estimated \$13,500 in annual costs for the use of academy facilities and equipment. In addition, the academy has not collected \$6,300 in back rent owed by the former operator of the campus store and canteen. Further, when the academy decided to purchase a computer, it did not solicit competitive bids and did not adequately monitor the computer contracts with the foundation. As a result of these conditions, the academy has paid \$208,000 for a computer system that the academy believed it was purchasing although the computer system still belongs to the foundation. Finally, the academy president did not properly monitor projects administered by the academy's Department of Continuing Maritime Education. As a result of inadequate monitoring, project agreements were not reviewed or approved by the Department of General Services and were not properly authorized by academy officials. Also, over \$101,200 from contract payments and tuition fees related to the projects was deposited into the foundation

checking account, which is outside state fiscal control. Because the money was not deposited into the State Treasury, the State lost \$1,300 in interest revenue.

#### Campus Store and Canteen Contracts

For the benefit of its students and staff, the academy provides a campus store and canteen. Traditionally, the academy has contracted with an outside vendor to provide for the sale of clothing, textbooks, educational supplies, and food to students and staff.

#### Contract With the Foundation

In September 1986, the deputy president of the academy, who is also the foundation president, informed the foundation's board of trustees that the academy wanted the foundation to take over the operation of the campus store and canteen. In October 1986, the deputy president of the academy proposed to the board of trustees that he oversee the operation of the campus store and canteen, and the board of trustees set aside money for the foundation to take over the operation. In November 1986, the academy terminated its contract with the former operator of the campus store and canteen and contracted with the foundation. The deputy president negotiated for the foundation and signed the contract on the foundation's behalf, and the president of the academy signed on the academy's behalf.

However, the academy did not follow required state contracting procedures when it contracted with the foundation to operate the campus store and canteen. Competitive bids were not solicited for the contract, and the contract was not submitted to the Department of General Services for review and approval. Also, the contract contains no provisions to ensure that the State is reimbursed for the foundation's use of academy facilities and equipment. The campus store and canteen occupies 1,359 square feet of academy space. When the foundation uses academy property, the academy is required to obtain reimbursement. To estimate the reimbursement owed by the foundation, we used the rate that the Department of General Services charges when it rents state property. In fiscal year 1986-87, the yearly rental rate for state property was \$9.72 per square foot. Using this rate, we estimate that the foundation should pay \$13,200 a year in rent for using the academy's facilities. In addition, in fiscal year 1986-87, the academy paid for the foundation's phone costs at the campus store and canteen, which were \$300. Because the contract lacks any provision to recover these costs, the State will not receive an estimated annual reimbursement of \$13,500 for the foundation's use of state facilities and equipment. Finally, the contract does not follow state requirements in terms of content and format. As a result of all these conditions, the State has no assurance that its interests are protected.

The State Administrative Manual, Section 1391, requires that state agencies solicit bids when renting state property. In addition,

the California Government Code, Section 11013, requires that any contract that establishes a store or canteen on state property and that is not specifically exempted by the Department of General Services be approved by the Department of General Services. Further, the State Administrative Manual, Section 1390.2, which refers to canteen and concession contracts, requires that the State be reimbursed for the costs incurred for the use of equipment, space, and utilities and for maintenance and administrative services. Finally, the State Administrative Manual, Section 1212.1 and Section 1212.2, requires a specific format and specific contents for a state contract.

Contract With the Former Operator  
of the Campus Store and Canteen

The academy has not obtained reimbursement from the former operator of the campus store and canteen for the use of academy facilities. When his contract with the academy was terminated, the former operator owed the academy at least \$6,300 in back rent. Because of the owed back rent, the deputy president of the academy, acting as president of the foundation, reduced by \$1,800 the amount that the foundation was willing to pay for the inventory that it purchased from the former operator. However, we are not aware of an agreement between the foundation and the academy that requires the foundation to pay the \$1,800 to the academy. In addition, because the academy did not properly monitor the contract with the former operator of the campus store and canteen, the academy has not collected any of the \$6,300 in back rent.

Computer Rental Contract

In July 1980, the former president of the academy asked the foundation's board of trustees to purchase a computer system for the academy. The academy would then lease the computer system from the foundation with the intention of eventually purchasing it. In addition, the academy would pay maintenance and operating costs and allow the foundation complete access to the computer system. The former president proposed that the foundation consider the purchase of the computer system as an investment and guaranteed a 50 percent return in six years. The foundation agreed to purchase the computer system and received the former president's assurance that, although the State required that the contract last for only one year, the academy would renew the contract annually for a period of not less than five years.

However, in negotiating the contract for the computer system, the academy did not follow required state contracting procedures. The former president did not solicit competitive bids for the contract because he believed that the bidding would take too much time. In addition, when the academy submitted the contract for fiscal year 1980-81 for approval, the academy did not inform the Department of General Services that the academy intended to renew the contract for at least the following five years. Also, the academy did not mention its option to purchase the computer system. However, in 1983, in response to an inquiry from the Department of General Services, the business manager of the academy stated that the academy's understanding was that

the academy would own the computer system when annual rentals equalled the total cost of the computer system. According to an official of the Department of General Services, the academy has assured the Department of General Services each year since 1983 that the title to the computer system would revert to the State when the accumulated rental payments equalled the foundation's investment.

We examined foundation records to determine the amount the foundation has paid for the computer system. Because these records were incomplete, we reconstructed the payments the foundation made. Based upon this reconstruction, we estimate that the foundation paid less than \$205,000, including interest, for the computer system. Between November 1980 and June 1987, the academy contracted to pay \$208,000 to the foundation for the rental of the computer system. If the academy's representation to the Department of General Services had been correct, the academy would have received the title to the computer system by June 30, 1987. However, the deputy president states that the agreement was never a purchase agreement. He suggests that if the academy wishes to purchase the computer system, the academy should negotiate a new agreement with the foundation. He developed a purchase proposal that shows a balance owed by the academy at June 30, 1987, of \$119,000 and estimates that the academy could own the computer system by 1994. This balance differs from our estimate because the deputy president of the academy includes a finance charge greater than that paid by the foundation. Also, the vendor of the computer system estimates that a new computer system, including software, that would

provide a higher level of service than the current computer system owned by the foundation would cost approximately \$72,500.

Because the academy did not follow required contracting procedures for the acquisition of a computer system and submitted inaccurate and incomplete information to the Department of General Services, the academy has contracted to pay \$208,000 for a computer system that the academy believed it was purchasing although the computer system still belongs to the foundation. Further, the academy has paid an additional \$116,700 in maintenance costs for the computer system because these costs were not covered by the rental agreement.

Sections 5200 through 5221 of the State Administrative Manual contain specific requirements for the acquisition of computer equipment that include the requirement that state agencies solicit competitive bids. In addition, Section 5207 of the State Administrative Manual requires an agency to determine the most cost-effective method of obtaining computer services. Further, the academy should provide the Department of General Services with accurate and complete information to ensure that state funds are used economically. An official of the Department of General Services stated that the Department of General Services accepted the academy's justification for the computer contracts because of the close relationship between the academy and the foundation. However, the official also stated that if the contracts had been between the academy and a private concern other than the foundation, the Department of General Services would probably have requested additional information before approving the contracts.

Contracts for Continuing Education Projects

The academy's Department of Continuing Maritime Education offers special training programs that are outside the scope of regular undergraduate study and also contracts to work on projects at the request of the maritime industry. The academy pays from its general fund for the Department of Continuing Maritime Education's use of academy facilities, equipment, and staff. To reimburse the academy's general fund, the Department of Continuing Maritime Education charges tuition to students or bills contractors for the services provided.

The academy has not followed state contracting procedures for three continuing education projects that amount to more than \$122,100. In addition, the academy did not properly monitor the deposit and payment of contract money. The three projects consist of a special residential training program at the academy for nine individuals, for which the foundation received \$54,000; a contract for over \$53,600 that involved maritime traffic research in San Pablo Bay; and an unsigned contract for \$14,500 that involved training in maneuvering ships.

Contracts Not Properly Authorized

Although the president of the academy was aware of the projects, he did not require that they be properly authorized. For example, the president of the academy told the board of governors that

the academy did have a contract for the residential training program when, instead, for the nine individuals, the academy had nine order forms that were signed only by the recipient of the service. The nine order forms, which totaled \$54,000, were not reviewed or approved by the Department of General Services, were not signed by an authorized academy official, and did not comply with state contract requirements as to format or content. In addition, the contract for over \$53,600 was not submitted to the Department of General Services for review or approval. Further, the director of the academy's Department of Continuing Maritime Education signed the contract although he had no authority to do so. Finally, the third project contract for \$14,500 was never signed by the academy although the foundation received a payment of over \$9,700 in July 1987 for work performed by academy staff. The State Administrative Manual, Section 1212.4, requires that contracts be signed by authorized individuals and that the names and position titles of those individuals be on file at the Department of General Services. Academy contracts over \$10,000 require the approval of the Department of General Services. In addition, the State Administrative Manual, Section 1206, states that no contract that exceeds \$50,000 will be exempt from a review by the Department of General Services.

Unauthorized Deposit and  
Payment of Academy Money

During the first seven months of 1987, over \$101,200 in tuition and contract payments were earned by the academy from the

continuing education projects that were improperly authorized. However, the academy did not properly monitor the deposit and payment of this money. Consequently, the money was deposited into the foundation's checking account, which is outside state fiscal control. The director of the Department of Maritime Continuing Education requested that the money be deposited into the foundation's checking account instead of the academy account. The director stated that he wanted the money available to fund other projects.

Between January 21 and June 24, 1987, the amount of academy cash in the foundation's checking account ranged from \$29,300 to \$55,400. While state fiscal controls that apply to the academy for the deposit and payment of money do not apply to the foundation, Section 70100 of the California Education Code requires that all money from continuing education programs be deposited into the State Treasury. The State lost approximately \$1,300 in interest revenue because the money from the projects was not deposited into the State Treasury. In addition, payments of academy money were made from the foundation's checking account at the request of the director of the academy's Department of Continuing Maritime Education without the authorization of the president of the academy. Section 70029 of the California Education Code requires that all money that is paid out be authorized by the president of the academy.

The deputy president of the academy stated that the continuing education transactions were made without his knowledge or consent

because he was away for the first three months of the year on a cruise. Further, he stated that he was not aware of the transactions until he returned in April 1987 and that the deposit of state money into the foundation's account was a "very new problem" that had only occurred during the first part of 1987. In September 1987, the foundation paid the academy over \$6,900. According to the deputy president, this amount was the balance of the academy's continuing education funds that remained in the foundation's checking account.

#### CONCLUSION

The California Maritime Academy did not follow required state procedures when it contracted with the California Maritime Academy Foundation or when it developed projects for the academy's Department of Continuing Maritime Education. As a result, the State has no assurance that academy funds were used economically or that the State's interests were protected. For example, when it contracted with the foundation to run the campus store and canteen, the academy did not solicit competitive bids or require reimbursement for an estimated \$13,500 in annual costs for the use of academy facilities. In addition, the academy has not collected \$6,300 in back rent owed by the former operator of the campus store and canteen. Further, the academy did not solicit competitive bids or adequately monitor its computer contracts with the foundation. As a result of these conditions, the academy has

paid \$208,000 for a computer system that the academy believed it was purchasing although the system still belongs to the foundation. Finally, the academy president did not properly monitor projects administered by the Department of Continuing Maritime Education. As a result of inadequate monitoring, project agreements were not reviewed or approved by the Department of General Services and were not properly authorized by academy officials. Also, over \$101,200 from contract payments and tuition fees related to the projects was deposited into the foundation checking account, which is outside state fiscal control, rather than into the State Treasury. Consequently, the State lost approximately \$1,300 in interest revenue.

#### RECOMMENDATIONS

To ensure that the California Maritime Academy follows required state contracting procedures and that state funds are used economically and are protected by state fiscal controls, the board of governors of the academy should take the following actions:

- Direct the academy to obtain competitive bids for the contract for the campus store and canteen and submit the resulting contract to the Department of General Services for approval;

- Require the academy to charge the foundation for the use of state facilities and equipment;
- Direct the academy to collect the \$6,300 in back rent owed by the former operator of the campus store and canteen;
- Direct the academy to evaluate the economic benefits of the computer-rental agreement for fiscal year 1987-88 and submit this evaluation to the Department of General Services with an accurate and complete justification of the cost;
- Direct the academy to follow state competitive bidding procedures for the lease or purchase of a computer;
- Direct the academy to develop written guidelines to ensure that future contracts with the California Maritime Academy Foundation protect the State's interests; and
- Instruct the president of the academy to monitor the projects of the Department of Continuing Maritime Education to ensure that required contracting procedures are followed, that academy money is deposited into the State Treasury, and that payments are properly authorized.

In addition, to ensure that state assets are protected in transactions between the academy and the foundation, the Legislature should amend the California Education Code to require that the foundation be subject to the same fiscal controls as foundations and auxiliaries of the California State University System.

We conducted this review under the authority vested in the Auditor General by Section 10500 et seq. of the California Government Code and according to generally accepted governmental auditing standards. We limited our review to those areas specified in the audit scope section of this report.

Respectfully submitted,

  
THOMAS W. HAYES  
Auditor General

Date: November 23, 1987

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Wendy T. Rodriguez, CPA  
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CLAY FULLER  
ALVIN D. GRESS  
THOMAS R. HEUER  
MICHAEL J. KERSTEN  
L. DOUGLAS KINNEY  
VICTOR KOZIELSKI  
EVE B. KROTINGER  
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ROMULO I. LOPEZ  
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DANIEL A. WEITZMAN  
THOMAS D. WHELAN  
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DEBRA J. ZIDICH  
CHRISTOPHER ZIRKLE  
DEPUTIES

# Legislative Counsel of California

BION M. GREGORY

Sacramento, California  
October 29, 1987

F-759

Mr. Thomas W. Hayes  
Auditor General  
660 J Street, Suite 300  
Sacramento, CA 95814

California Maritime Academy - #23195

Dear Mr. Hayes:

## FACTS

You have asked us to assume that the following statements are true for the purpose of answering the several questions set forth below.

The California Maritime Academy Foundation, a private nonprofit corporation established for the support of the California Maritime Academy, under the direction of its president, who is the deputy to the superintendent of the academy, charged a fee and arranged for the transportation of 255 family members and friends of the academy staff and students on the Golden Bear training ship, a 7,987 gross ton vessel, from Vallejo, California, to Vancouver, B.C., during Expo '86. The superintendent of the academy was aware of the arrangements made by the foundation in connection with this cruise. The California Maritime Academy Board of Governors was not informed before the cruise that these passengers would be on board. The trip generated a profit of \$25,600 which was not reported to the board.

QUESTION NO. 1

Was the California Maritime Academy Foundation acting legally when it used the training ship Golden Bear as a passenger vessel to make a profit by charging a fee for passenger accommodations?

OPINION NO. 1

The California Maritime Academy Foundation, acting through its president, unlawfully used the training ship as a passenger vessel to make a profit by charging a fee for passenger accommodations.

ANALYSIS NO. 1

The California Maritime Academy<sup>1</sup> is established pursuant to Part 43 (commencing with Section 70000) of the Education Code in order to "provide instruction on the nautical sciences, marine engineering, and related fields, including all those necessary to provide the highest quality licensed officers for the American Merchant Marine and California maritime industries" (Sec. 70000, Ed. C.). The academy is a part of the State Department of Education and is administered by the California Maritime Academy Board of Governors<sup>2</sup> (Sec. 70010, Ed. C.). The board is authorized to receive from the federal government a vessel or vessels detailed or furnished with all apparel, charts, books, and instruments of navigation (Sec. 70026, Ed. C.). The academy has received at least one such training ship from the federal Department of Transportation, Maritime Administration, known as the "Golden Bear" (Governor's Budget, 1987-88, p. E-125; see also 46 U.S.C. Sec. 1295c and 46 C.F.R. 310.4).

The board is authorized to accept gifts, donations, bequests, and devises which are made to the academy and which will be of benefit to the state and the academy (Sec. 70028, Ed. C.). The board is required to receive the approval of the Director of Finance in accepting these gifts (Sec. 70028, Ed. C.). We are informed that a nonprofit corporation, the California Maritime Academy Foundation,<sup>3</sup> has been formed to aid the academy.

---

<sup>1</sup> Hereafter referred to as the academy.

<sup>2</sup> Hereafter referred to as the board.

<sup>3</sup> Hereafter referred to as the foundation.

The Facts presented indicate that the president of the foundation organized a program whereby persons who are not students or staff members at the academy could book passage on the Golden Bear. Presumably, any profits from this endeavor would be used by the foundation to benefit the academy. The issue is whether this was a lawful act by the foundation.

The state and federal statutes and regulations directly relating to the academy and the training ship make no reference to the use of the ship to transport passengers. However, the applicable state and federal statutes indicate that the training ship available to the academy is intended to be used for instructional purposes in order to train "young men and women to become officers in the merchant marine of the United States" (46 C.F.R. 310.4(a)(5); see also 46 U.S.C. Sec. 1295c(c)(1)(A) and Secs. 70000 and 70026, Ed. C.). Thus, use of the training ship for fundraising purposes or as a passenger vessel is apparently not authorized by the applicable statutes or regulations, and thus its use for that purpose is unauthorized.<sup>4</sup>

It is unlawful for any officer of the state to fraudulently appropriate "to any use or purpose not in the due and lawful execution of his trust, any property which he has in his possession or under his control by virtue of his trust ..." (Sec. 504, Pen. C.). Section 504 of the Penal Code has been construed to prohibit the unauthorized use of government property by public officials (People v. Nathanson, 134 Cal. App. 2d 43, 47; People v. Harby, 51 Cal. App. 2d 759, 767). As an official of the academy, the president of the foundation acted to cause the ship to be used for an unauthorized purpose; namely, as a passenger vessel for profit to the foundation.

Thus, under Section 504 of the Penal Code, the foundation was prohibited from selling passages on the training ship. This action also violated a similar provision in federal law which prohibits the unauthorized conversion of federal property (18 U.S.C. Sec. 641; see Adolfson v. United States, 159 F. 2d 883, 885).

Therefore, in our opinion the foundation, under its president, unlawfully used the training ship as a passenger vessel to make a profit by charging a fee for passenger accommodations.

---

<sup>4</sup> The ship is the property of the United States (46 U.S.C. Sec. 1295c(c)(1)(A)(v); 46 C.F.R. 310.4(a)(5)); however, while it is on loan to the academy, it is under the complete control of the state (see 46 C.F.R. 310.4(c)).

QUESTION NO. 2

Was the training ship, while being used to carry fare paying passengers, subject to federal laws regarding safety standards for passenger vessels?

OPINION NO. 2

The training ship was subject to federal laws regarding safety standards for passenger vessels when it was used to carry fare paying passengers.

ANALYSIS NO. 2

Subtitle II (commencing with Section 2101) of Title 46 of the United States Code covers federal regulation of vessels and seamen. For purposes of the subtitle, "passenger vessel" is defined as "a vessel of at least 100 gross tons carrying at least one passenger for hire" (46 U.S.C. Sec. 2101(22)). Chapter 33 (commencing with Section 3301) of Subtitle II governs the certification and inspection of vessels, and Section 3301 lists the categories of vessels subject to inspection. This list includes passenger vessels and nautical school vessels such as the training ship (46 U.S.C. Sec. 3301(2) and (4)). Being subject to inspection, a passenger vessel or a nautical school vessel must be inspected for certification before going into service and reinspected once a year (46 U.S.C. Sec. 3307(1)).

There are requirements imposed on passenger vessels that are not imposed on public nautical school vessels, such as structural fire protection (46 C.F.R. 72.05-1 et seq.), ventilation (46 C.F.R. 72-15.1), passenger accommodations (46 C.F.R. 72.25-1), and fire detecting systems (46 C.F.R. 76.05-1). In other cases the requirements are different, such as means of escape (46 C.F.R. 72.10-5 and 167.20-10) and fire extinguishing systems (46 C.F.R. 76.05-15 et seq. and 167.45-1).

We, of course, cannot say whether the training ship also met the requirements for a passenger vessel.

There is no exception to the passenger vessel safety inspection requirements for a training vessel used as a passenger vessel. Thus, in order for a vessel such as the training ship, which exceeds 100 gross tons, to carry passengers for hire, the vessel would have to be certified as a passenger vessel.

Therefore, in our opinion the training ship was subject to federal laws regarding safety standards for passenger vessels when it was used to carry fare paying passengers.

QUESTION NO. 3

If the training ship was subject to those laws and regulations applicable to passenger vessels, who would be liable for paying any associated fines or penalties for noncompliance?

OPINION AND ANALYSIS NO. 3

Subsection (a) of Section 3318 of Title 46 of the United States Code makes the owner, charterer, managing operator, agent, master, or individual in charge of a vessel operated in violation of Chapter 33 (commencing with Section 3301) of Subtitle II (relating to certification and inspection) of that title, or regulations adopted pursuant to that chapter, liable to the United States government for a civil penalty of not more than \$5,000.

In this case, the board is responsible for maintaining, managing, and controlling the academy and has overall responsibility for cruises of the training ship (Secs. 70020 and 70021, Ed. C.).<sup>5</sup> The superintendent of the academy, subject to the regulations of the board, has direct control, supervision, and management of the academy and all the property of the academy (Sec. 70032, Ed. C.).

Thus, under the terms of subsection (a) of Section 3318 of Title 46 of the United States Code, both the board and the superintendent would be liable for violation of the certification and inspection requirements governing passenger vessels if the academy training ship was used as a passenger vessel. Furthermore, under this subsection, the master of the training ship would likewise be liable for violation of these requirements during the time the ship was being used to carry passengers.

QUESTION NO. 4

Did the academy or the foundation violate any other civil or criminal laws?

OPINION AND ANALYSIS NO. 4

We are not aware of any violations of any other state or federal laws relating to the academy or operation of the training ship based on the facts submitted to us.

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<sup>5</sup> Technically, the board is required to provide for training cruises to and from San Francisco Harbor. The facts indicate that the training ship operates out of Vallejo, California.

QUESTION NO. 5

Was the superintendent of the academy required by statute to inform the board of the details of the foundation's involvement in the cruise?

OPINION AND ANALYSIS NO. 5

According to the Facts, the superintendent of the academy was aware that the foundation had arranged for fare paying passengers to accompany the training ship on its cruise to Vancouver, B.C., but did not inform the board of this fact.

As stated in Opinion and Analysis No. 3, the board has overall responsibility for cruises to and from the San Francisco Bay area, and the superintendent, who is appointed by the board (subd. (a), Sec. 70021, Ed. C.), has direct control of the academy and its property. The applicable statutes regarding the academy do not specify the information that the superintendent is required to convey to the board, and we are not aware of any instructions which the board may have given to the superintendent as to what information is to be conveyed to the board.

QUESTION NO. 6

The president of the foundation is also the deputy to the superintendent of the academy and the captain of the training ship. As deputy to the superintendent, he attended the board meeting where the cruise was discussed; as president of the foundation, he collected the fares for the cruise; and as the captain of the training ship, he was the officer responsible for the ship on the cruise. Is the deputy to the superintendent liable for violations of state and federal law relating to misuse of the training ship?

OPINION AND ANALYSIS NO. 6

Criminal Violations

As stated in Analysis No. 1, use of the training ship as a passenger vessel for fundraising purposes may have constituted an unlawful action for misuse of government property under Section 504 of the Penal Code and an unauthorized conversion of federal property pursuant to Section 641 of Title 18 of the United States Code. As the person who committed acts which caused the training ship to be used as a passenger vessel, the deputy to the superintendent may be liable for violation of these provisions.

Civil Penalties

As stated in Opinion and Analysis No. 3, the master of the vessel would be liable for a violation of Section 3318 of Title 46 of the United States Code relating to certification and inspection of a ship that is used as a passenger vessel.

QUESTION NO. 7

May the deputy to the superintendent of the academy, as captain of the training ship, absolve the foundation or the academy of liability for use of the training ship for fundraising purposes?

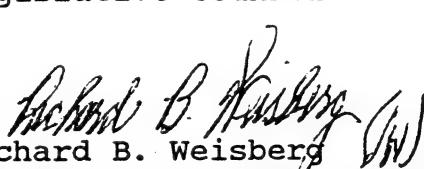
OPINION AND ANALYSIS NO. 7

As stated in Opinion and Analysis No. 3, the board and superintendent of the academy are responsible for management and operation of the training ship. Thus, even though the superintendent is not the master of the vessel, he or she is still responsible for proper use of the ship, and the board retains overall responsibility for the ship. These respective duties remain with the superintendent and the board regardless of the actions of the master of the ship.

Similarly, the foundation, as a corporate entity, is responsible for actions officially taken by its officers (Dart Industries, Inc. v. Liberty Mutual Insurance Co., 484 F. 2d 1295, 1296). Thus, the foundation had an ongoing responsibility for the acts of its president who could not absolve the foundation of responsibility for his or her conduct that occurred in the scope of his or her duties as president (see Magnolia Motor & Logging Company v. United States, 264 F. 2d 950, 953-954; cert. den. 4 L. Ed. 2d 61).

Very truly yours,

Bion M. Gregory  
Legislative Counsel

By   
Richard B. Weisberg  
Deputy Legislative Counsel

RBW:jdg

cc: Honorable Art Agnos, Chairman  
Joint Legislative Audit Committee

## CALIFORNIA MARITIME ACADEMY

P.O. BOX 1392  
VALLEJO, CA 94590  
707-~~464-1600~~ 648-4200



November 18, 1987

Mr. Thomas W. Hayes  
Auditor General  
State of California  
660 J Street, Suite 300  
Sacramento, CA 95814

Dear Mr. Hayes:

Enclosed are my agency comments on the draft "Review of the California Maritime Academy's Interactions with the California Maritime Academy Foundation" provided to me on 12 November 1987.

I have fully briefed the Board of Governors on this report and the Board will be commenting to you separately.

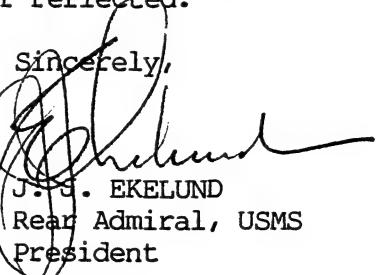
I regret that adequate time (more than five working days) was not provided to respond to an audit that was conducted over the period from the middle of February to the middle of November. I recommend that the process be reviewed.

I have found the audit findings useful in identifying management deficiencies. The audit will have proved instrumental in bringing the relationship between the Academy and the Foundation into conformance with the State's administrative procedures.

It is the intent of the Academy and the Academy Foundation to maintain a relationship and conduct business in compliance with all State regulations. Thus access was provided to the Auditor General allowing evaluation of this relationship. As this is the first review of the relationship between the Academy and the Foundation, errors were discovered. The Academy, with the cooperation of the Foundation, intends to correct these errors.

I would welcome the auditors back in a few years, confident that our management performance would be much better reflected.

Sincerely,

  
J. S. EKELUND  
Rear Admiral, USMS  
President

JJE:pm  
Enclosure

REPORT BY THE  
OFFICE OF THE AUDITOR GENERAL  
F-759

A REVIEW OF THE CALIFORNIA MARITIME ACADEMY'S  
INTERACTIONS WITH THE  
CALIFORNIA MARITIME ACADEMY FOUNDATION

Agency Comments

The California Maritime Academy's Use of the GOLDEN BEAR

The following background comments are pertinent to the use of the training ship at Expo '86. First, the Academy looks for opportunities to make training cruises that supplement the regular training cruise and do not adversely affect the academic program. The ship is provided by the federal government for use as a training ship. Taking the ship to Expo '86 was an ideal opportunity to gain additional training for our students. The Board of Governors approved the trip (see Attachment A) and the Maritime Administration also approved the trip and obtained the necessary diplomatic clearance for the ship's visit (see Attachment B). The trip was made with the feeling that it was consistent with the exact purpose of the ship.

It was also felt that the trip was in the best interest of the State in that the trip also afforded the opportunity for the State Department of Agriculture to mount a minor trade fair on board in Vancouver for the showing of California agricultural products. This was done and was very successful (see Attachments C and D).

The opportunity to take guests was only ancillary to the training purpose of the trip. That appeared to be a useful opportunity to capitalize on as a matter of good will and to further the appreciation of the staff, faculty and family members of the students in the at sea phase of midshipman training. The Foundation funding of the support costs seemed reasonable to avoid any indication that State funds were used to support any part of the cost other than those incurred by the Department of Agriculture. The charge of \$150 to be paid to the Foundation by the guests was to cover the estimated cost to the Foundation for food, support personnel and services for ten days. That charge seemed reasonable and clearly was not payment for passage, room rent or like costs. There were no charges for these since there was no cost incurred and the guests were occupying space available.

The Academy felt that it was providing a useful and allowable service to all parties. There was no effort or intent to deceive either the Board of Governors or the Maritime Administration about the use of the ship in the Vancouver Expo '86 trip. Indeed, the President reported to the Board, which includes a representative of the Maritime Administration, about the trip upon its completion (see Attachment E). The Academy did not believe that it violated the law in the case of the Expo '86 trip.

No single person profited by the earnings of the Foundation in this venture. The sole purpose for the Foundation is to raise funds to benefit the Academy. Indeed, the students and the State will further benefit directly by those funds being used for the procurement of equipment for the Academy or as scholarship money or for some other similar direct benefit.

CMA determined from the appropriate Coast Guard office prior to the cruise that the use to which the ship was put did not violate the certification and inspection of the training ship.

The use of the ship as a morale builder, as in the case of the Expo '86 cruise, is similar to the use of the U.S. Navy ships for dependent cruises or for Navy League familiarization cruises, uses other than for what the ships were specifically intended, and is similar to familiarization flights by the Air National Guard. To hold that all activity not specifically authorized is illegal is a principle that would be questioned by many. In fact, it would make the State use of the training ship in a good will trade mission to Australia in 1986 or to the Far East in 1987 for the purpose of boosting the sale of agricultural products also illegal. CMA feels that such use is also not illegal but rather benefits many. The Academy will be more explicit in obtaining Board approval of ship use in the future.

The Academy recognizes that it should avoid even the appearance of wrongdoing and in retrospect recognizes that such appeared to the auditors. The Academy will avoid such appearances in the future.

The Academy will, of course, cooperate with the Attorney General's office and/or the U.S. Coast Guard in any ongoing investigation of alleged wrongdoing on the part of the Academy and shall keep the Board fully informed.

#### The California Maritime Academy's Management Contracts

##### Campus Stores and Canteen Contracts

The former operation of the campus store and canteen (which sells required uniforms, textbooks, sundries and short order foods) had become increasingly unreliable and financially irresponsible and it became necessary to immediately replace it and maintain the continuity of operations. The Foundation was able and willing to do so by investing \$85,000 in capital to provide required service and continuity of operations. The transition was made using an agreement rather than a competitive bid contract. It did not occur to the Academy that there would be other bidders willing to return all of the profit to the Academy and maintain low prices to the students, be totally responsive to Academy requirements and provide the required inventory of goods and assume the student accounts.

Further, the Academy envisioned that a special relationship exists between a foundation dedicated to the support of the Academy and a profit oriented vendor and consequently negotiated the arrangement with the Foundation. The

Academy agrees that it is appropriate for the State to be reimbursed for the space and utilities used by the Foundation and agrees that it should abide by the legal State procedures. The Academy will work with General Services to develop a proper contracting procedure to see that the State procedures are followed and State interests are properly considered, including proper reimbursement for facilities and equipment.

#### Contract with the Former Operator of the Campus Store and Canteen

The state was reimbursed \$1800 from the Foundation in October 1987 as part of the former operator's reimbursement for facility use (see Attachment F). The Academy has billed the former operator for facility use reimbursements due.

#### Computer Rental Contract

The Academy has had an ongoing series of lease-purchase contracts with the Foundation for the purchase of its main-frame computer.

The Academy recognizes that competitive bidding should have been pursued in 1980. In the academic and management use of a computer which is under a lease-purchase agreement, it is unrealistic to go to competitive bidding in mid-stream of the purchase because of the implications of software and data base costs associated with systems change and the operational implications of down time for change.

The audit addresses the fact that the computer could be purchased now at a price considerably less than the original price and that the State will have paid more than the actual cash cost of the computer and its two major upgrades.

It is not unusual to find that a computer purchased in 1980 is worth less in 1987. It is also not unusual to pay interest on a lease-purchase arrangement. Both of these features are operating in this case.

A new contract has been approved by General Services (see Attachment G). It recognizes the lease-purchase arrangement and that the computer will be owned outright by the Academy in May 1989. At this point, it is clear that the best interests of the State are served by completing the lease-purchase, taking ownership in May 1989 and continuing to operate the system for the rest of its useful life with only continuing maintenance costs.

The Academy recognizes that it erred in not conforming to the various requirements of the SAM in this initial procurement and will make every effort in contracting to scrupulously conform to SAM and General Services requirements.

#### Continuing Maritime Education Project Contracts

The Director of Continuing Maritime Education (CME) obtained approval from the President to conduct the projects in question and negotiate the contracts. The President failed to ascertain that the contracts for services were properly executed. The Director of CME has now received explicit instructions that he is not authorized to let contracts for the State or the Foundation and that all contracting for the State will be done through our purchasing office. The Academy will make every effort in contracting to scrupulously conform to SAM and General Services requirements.

Payments for CME projects were improperly directed by the Director of Continuing Maritime Education to be made to the Foundation. From the Foundation receipts, legitimate bills reflecting the costs of the projects were paid at the request of the Director of CME. In September 1987 the Foundation submitted via the Academy to the audit team, an accounting of the funds diverted to the Foundation. At that time all funds improperly directed to the Foundation had been paid to the Academy.

It is clear that the President must provide greater monitoring and control of execution of the CME contracting and funds management. The Director of CME has been explicitly instructed that his organization may not enter into contracts directly. All contracts required will be executed by the Academy's administration department in accordance with SAM requirements.

The audit suggests that because of the diversion of funds, the State may have lost as much as \$1300 in interest. The Academy, though not agreeing with the procedure, does not agree that the State lost any money. The Foundation paid through its efforts to manage the funds and pay the bills. Had the receipts been deposited in the CME Revenue Fund and bills paid from it, a cost larger than the interest would have been incurred by the State for managing transactions in that account. The Foundation charged no such fee. The result was a small net savings to the State. The Foundation did not seek the arrangement and merely performed in good faith what it thought was a useful administrative service.

Excerpt from Board of Governors Minutes, 21 March 1986, Page 673

Item 14 - President's Report

The President reported an opportunity to augment training with a cruise to Vancouver and Expo '86 where the ship would also carry a trade fair and requested the Board to authorize such a trip. The Board unanimously voted to conduct such a trip.



U.S. Department  
of Transportation

**Maritime  
Administration**

400 Seventh Street, S.W.  
Washington, D.C. 20590

April 30, 1986

Mr. Richard Atkinson  
Senior Customs Representatives  
Office of Foreign Missions  
Department of State  
Washington, DC 20520

Dear Mr. Atkinson:

California Maritime Academy is scheduling a supplemental training cruise to Vancouver, Canada from July 29 to August 4, 1986.

Please arrange for diplomatic clearance for the T.S. GOLDEN BEAR during this period of time. We appreciate your cooperation.

Sincerely,

EDWIN M. HACKETT  
Academies Program Officer  
Office of Maritime Labor  
& Training

cc: Rear Admiral J.J. Ekelund, USN (Ret.)  
President, California Maritime Academy

file



**UNITED STATES DEPARTMENT OF COMMERCE**  
**International Trade Administration**  
 Foreign Commercial Service  
 1075 West Georgia Street  
 Vancouver, B.C. V6E 4E9

August 21, 1986

Ms. Clare Berryhill  
 Director  
 California Department of Food  
 and Agriculture  
 1220 N Street, Room 409  
 Sacramento, California  
 95814

Dear Ms. Berryhill:

This is a short note to congratulate you on the excellent promotion of California food and wines on the Golden Bear visit to Vancouver.

The participating local agents of California wines were unanimous in their praise of the effectiveness of wine tasting for the trade. One agent said there were more of the right people there than any tasting he had every participated in. Others had similar laudatory comments on the success of the event and how well it was set up. In addition to the wines, the food was a real hit. I can't say enough about the efforts of Ester Armstrong and Lori Johnston. Through their sheer hard work and talents the foods and wines were beautifully displayed and constantly maintained that way throughout the entire time. You can be very proud of their efforts and the successful promotion of California products in Vancouver.

We look forward to your participation in Food Pacific and will be pleased to assist in any way we can.

Sincerely,

Raymond E. Eveland  
 Consul - Trade

c.c. Ms. Ester Armstrong  
 Assistant Director  
 California Dept. of Food & Agriculture  
 1010 Hurley Way, Suite 200  
 Sacramento, California 95825

c.c. Ms. Lori Johnston  
 Executive Deputy Officer  
 California Dept. -42- Food & Agriculture  
 1220 N Street, Room 409  
 Sacramento, California 95814

## DEPARTMENT OF FOOD AND AGRICULTURE

1220 N Street, Room 409  
Sacramento, CA 95814



Attachment D

Captain John M. Keever  
California Maritime Academy  
P.O. Box 1392  
Vallejo, CA 94590

Dear Captain Keever:

On behalf of the Department of Food and Agriculture I want to thank you and your crew for all the help you gave Ester and I in Vancouver. Without your staff's assistance it would have been impossible for us to put on the wine tastings and receptions. We all learned a lot from the Expo trip that will help us better plan for the Pacific Rim tour.

Please extend a special thanks to Dave, the Bos'n, George, Mike and Lou for their strong backs, patience, and helpful attitude. They made the long days bearable and fun.

We also appreciate Marilyn's assistance in helping us plan for the trip, the galley crew for preparing the food for the receptions, and all the spousal help we received. Because of their help the Vancouver trip was a success.

Sincerely,

A handwritten signature in black ink, appearing to read "Lori".

Lori Johnston  
Deputy Executive Officer  
Agricultural Export Program  
(916) 322-4339

cc: Admiral Eklund ✓  
Clare Berryhill

Excerpt from Board of Governors Minutes, 17 September 1986, Page 681

Item 9 - President's Report

b. Vancouver Training Trip

Following the end of the academic year, the Training Ship made a short training trip to Vancouver from 26 July-6 August with 105 Midshipmen. Included in the trip was a travel opportunity for the Midshipmen's parents and families and some CMA employees and their families who paid cost. While in Vancouver, the ship was the location for a series of wine festivals/tastings and receptions to support and further the export of California products. The trip was an outstanding training opportunity for the participating Midshipmen and provided the cultural exposure of Canada and Expo 86.

\$ 1,800.00

11/13 1987

STATE OF CALIFORNIA  
CALIFORNIA MARITIME ACADEMY No 25824**Cash Receipt**

RECEIVED FROM CMA Foundation  
 on account of the items indicated on margin, or for Back rent  
owed by BC Westf, Inc Prin year 85/86  
Reimbursement 86/87  
 Cash  Check No. \_\_\_\_\_  Money Order No. \_\_\_\_\_  
4451

COPY—NOT A VALID RECEIPT

By CR CASHIER

School Fee	1800.00
GSSF	
Uncleared	
CME	
Revolving Fund	
MSLF	
<b>TOTAL</b>	<b>1800.00</b>

85 94547

STATE AGENCY  
 DEPT. OF GEN. SER.  
 CONTROLLER

THIS AGREEMENT, made and entered into this 1st day of July, 1987,  
 in the State of California, by and between State of California, through its duly elected or appointed,  
 qualified and acting

TITLE OF OFFICER ACTING FOR STATE	AGENCY	NUMBER
President <i>ereafter called the State, and</i>	California Maritime Academy	CON80004
California Maritime Academy Foundation <i>ereafter called the Contractor.</i>	(V: 11380-00)	

VITNESSETH: That the Contractor for and in consideration of the covenants, conditions, agreements, and stipulations of the State  
 hereinafter expressed, does hereby agree to furnish to the State services and materials, as follows:

*set forth service to be rendered by Contractor, amount to be paid Contractor, time for performance or completion, and attach plans and specifications, if any.)*

### RENEWAL OF ANNUAL COMPUTER SYSTEM RENTAL

The Contractor agrees to continue furnishing, and the State hereby agrees to continue  
 renting all electronic data processing machines in accord with the provisions of General  
 Terms and Conditions and of Rider "A" - Special Provisions. Equipment furnished to the  
 State by the Contractor is as listed on Rider "B", which is now operating and is installed  
 in the Administration Building, California Maritime Academy.

The following Riders are hereby incorporated in, and are a part of this contract:

Rider "A" - Special Provisions

Rider "B" - Equipment List

Rider "D" - Acceptance Testing and Continuing Standards of Performance

This rental agreement will be effective July 1, 1987 and will terminate June 30, 1988. The  
 State shall pay the contractor each month Three Thousand Dollars and No Cents (\$3,000.00),  
 in arrears, total annual payment not to exceed Thirty-Six Thousand Dollars and No Cents  
 (\$36,000.00).

Projected payback date is May 1989, at which time the State is scheduled to take title to  
 all equipment. *B gone*

The provisions on the reverse side hereof constitute a part of this agreement.

IN WITNESS WHEREOF, this agreement has been executed by the parties hereto, upon the date first above written.

STATE OF CALIFORNIA		CONTRACTOR	
AGENCY California Maritime Academy		CONTRACTOR (IF OTHER THAN AN INDIVIDUAL STATE WHETHER A CORPORATION PARTNERSHIP, ETC.) California Maritime Academy Foundation	
BY AUTHORIZED SIGNATURE <i>H. W. Brown</i>		BY AUTHORIZED SIGNATURE <i>Gail M. Cooney</i> GAIL M. COONEY	
TITLE Vice President, Fiscal/Administrative Affairs		TITLE Business Office Manager	
CONTINUED ON <u>      </u> SHEETS, EACH BEARING NAME OF CONTRACTOR		ADDRESS P.O. Box 1392, Vallejo, CA 94590	
Department of General Services Use Only		AMOUNT ENCUMBERED \$ 36,000.00	PROGRAM/CATEGORY (CODE AND TITLE) Support
DEPARTMENT OF GENERAL SERVICES OFFICE OF PROCUREMENT		UNENCUMBERED BALANCE \$	FUND TITLE General
APPROVED <i>J. J. Ekelund</i> 11/10/87		ADJ. INCREASING ENCUMBRANCE \$	ITEM Computer Science- Rental
		ADJ. DECREASING ENCUMBRANCE \$	CHARTER 6860-001-001-99
			STATUTE 1987
			FISCAL YEAR 1987/88
		OBJECT OF EXPENDITURE (CODE AND TITLE) 329431 - 1400 - 10100	
		I hereby certify upon my own personal knowledge that budgeted funds are available for the period and purpose of the expenditure stated above.	T.B.A. NO. B.R. NO.
		SIGNATURE OF ACCOUNTING OFFICER <i>J. W. Scott</i>	DATE AUG 12 1987
		I hereby certify that all conditions for exemption set forth in State Administrative Manual Section 1209 have been complied with and this document is exempt from review by the Department of Finance	
		SIGNATURE OF OFFICER SIGNING ON BEHALF OF THE AGENCY <i>J. J. Ekelund</i>	DATE AUG 12 1987

YEAR/MONTH	% INTEREST	PAYMENT	INTEREST PAID	BALANCE DUE
1980				\$ 106,612.05
11	16.50	\$ 2,000.00	\$ 1465.92	\$ 106,077.97
12	19.75	\$ 2,000.00	\$ 1745.87	\$ 105,823.84
1981				
1	23.50	\$ 2,000.00	\$ 2072.38	\$ 105,896.22
2	22.00	\$ 2,000.00	\$ 1941.43	\$ 105,837.65
3	21.00	\$ 2,000.00	\$ 1852.16	\$ 105,689.81
4	19.00	\$ 2,000.00	\$ 1673.42	\$ 105,363.23
5	20.00	\$ 2,000.00	\$ 1756.05	\$ 105,119.28
6	22.50	\$ 2,000.00	\$ 1970.99	\$ 105,090.27
7	22.00	\$ 2,000.00	\$ 1926.65	\$ 105,016.92
8	22.50	\$ 2,000.00	\$ 1969.07	\$ 104,985.99
9	22.50	\$ 2,000.00	\$ 1968.49	\$ 104,954.48
10	21.50	\$ 2,000.00	\$ 1880.43	\$ 104,834.91
11	20.00	\$ 2,000.00	\$ 1747.25	\$ 104,582.16
12	17.75	\$ 2,000.00	\$ 1546.94	\$ 104,129.10
1982				
1	17.75	\$ 2,000.00	\$ 1540.24	\$ 103,669.34
2	17.75	\$ 2,000.00	\$ 1533.44	\$ 103,202.78
3	18.50	\$ 2,000.00	\$ 1591.04	\$ 102,793.82
4	18.50	\$ 2,000.00	\$ 1584.74	\$ 102,378.56
5	18.50	\$ 2,000.00	\$ 1578.34	\$ 101,956.90
6	18.50	\$ 2,000.00	\$ 1571.84	\$ 101,528.74
7	18.50	\$ 2,000.00	\$ 1565.23	\$ 101,093.97
8	17.50	\$ 2,000.00	\$ 1474.29	\$ 100,568.26
9	15.50	\$ 2,000.00	\$ 1299.01	\$ 99,867.27
10	15.50	\$ 2,000.00	\$ 1289.95	\$ 99,157.22
11	14.00	\$ 2,000.00	\$ 1156.83	\$ 98,314.05
12	13.50	\$ 2,000.00	\$ 1106.03	\$ 97,420.08
1983				
1	13.50	\$ 2,000.00	\$ 1095.98	\$ 96,516.06
2	13.00	\$ 2,000.00	\$ 1045.59	\$ 95,561.65
3	12.50	\$ 2,000.00	\$ 995.43	\$ 94,557.08
4	12.50	\$ 2,000.00	\$ 984.97	\$ 93,542.05
5	12.50	\$ 2,000.00	\$ 974.40	\$ 92,516.45
6	12.50	\$ 2,000.00	\$ 1383.33	\$ 132,183.05
7	12.50	\$ 3,000.00	\$ 1376.91	\$ 130,559.96
8	12.50	\$ 3,000.00	\$ 1360.00	\$ 128,919.96
9	13.00	\$ 3,000.00	\$ 1396.63	\$ 127,316.59
10	13.00	\$ 3,000.00	\$ 1379.26	\$ 125,695.85
11	13.00	\$ 3,000.00	\$ 1361.71	\$ 124,057.56
12	13.00	\$ 3,000.00	\$ 1343.96	\$ 122,401.52
1984				
1	13.00	\$ 3,000.00	\$ 1326.02	\$ 120,727.54
2	13.00	\$ 3,000.00	\$ 1307.88	\$ 119,035.42
3	13.00	\$ 3,000.00	\$ 1289.55	\$ 117,324.97
4	13.50	\$ 3,000.00	\$ 1319.91	\$ 115,644.88
5	14.00	\$ 3,000.00	\$ 1349.19	\$ 113,994.07
6	14.50	\$ 3,000.00	\$ 1629.12	\$ 133,452.61
7	15.00	\$ 3,000.00	\$ 1668.16	\$ 132,120.77
8	15.00	\$ 3,000.00	\$ 1651.51	\$ 130,772.28
9	15.00	\$ 3,000.00	\$ 1634.65	\$ 129,406.93
10	14.75	\$ 3,000.00	\$ 1590.63	\$ 127,997.56
11	14.00	\$ 3,000.00	\$ 1493.30	\$ 126,490.86
12	13.75	\$ 3,000.00	\$ 1449.37	\$ 124,940.23

	1	12.75	\$ 3,000.00	\$ 1327.49	\$ 123,267.72
	2	12.50	\$ 3,000.00	\$ 1284.04	\$ 121,551.76
	3	12.50	\$ 3,000.00	\$ 1266.16	\$ 119,817.92
	4	12.50	\$ 3,000.00	\$ 1248.10	\$ 118,066.02
	5	12.50	\$ 3,000.00	\$ 1229.85	\$ 116,295.87
	6	12.00	\$ 3,000.00	\$ 1162.96	\$ 114,458.83
	7	11.50	\$ 3,000.00	\$ 1096.90	\$ 112,555.73
	8	11.50	\$ 3,000.00	\$ 1078.66	\$ 110,634.39
	9	11.50	\$ 3,000.00	\$ 1060.25	\$ 108,694.64
	10	11.50	\$ 3,000.00	\$ 1041.66	\$ 106,736.30
	11	11.50	\$ 3,000.00	\$ 1022.89	\$ 104,759.19
	12	11.50	\$ 3,000.00	\$ 1003.94	\$ 102,763.13
1986					
	1	11.50	\$ 3,000.00	\$ 984.81	\$ 100,747.94
	2	11.50	\$ 3,000.00	\$ 965.50	\$ 98,713.44
	3	11.50	\$ 3,000.00	\$ 946.00	\$ 96,659.44
	4	11.00	\$ 3,000.00	\$ 886.04	\$ 94,545.48
	5	10.50	\$ 3,000.00	\$ 827.27	\$ 92,372.75
	6	10.50	\$ 3,000.00	\$ 808.26	\$ 90,181.01
	7	10.50	\$ 3,000.00	\$ 789.08	\$ 87,970.09
	8	10.00	\$ 3,000.00	\$ 733.08	\$ 85,703.17
	9	9.50	\$ 3,000.00	\$ 678.48	\$ 83,381.65
	10	9.50	\$ 3,000.00	\$ 660.10	\$ 81,041.75
	11	9.50	\$ 3,000.00	\$ 641.58	\$ 78,683.33
	12	9.50	\$ 3,000.00	\$ 622.91	\$ 76,306.24
1987					
	1	9.50	\$ 3,000.00	\$ 604.09	\$ 73,910.33
	2	9.50	\$ 3,000.00	\$ 585.12	\$ 71,495.45
	3	9.50	\$ 3,000.00	\$ 566.01	\$ 69,061.46
	4	9.50	\$ 3,000.00	\$ 546.74	\$ 66,608.20
	5	10.00	\$ 3,000.00	\$ 555.07	\$ 64,163.27
	6	10.25	\$ 3,000.00	\$ 548.06	\$ 61,711.33
	7	10.25	\$ 3,000.00	\$ 527.12	\$ 59,238.45
	8	10.25	\$ 3,000.00	\$ 506.00	\$ 56,744.45
	9	10.75	\$ 3,000.00	\$ 508.34	\$ 54,252.79
	10	11.00	\$ 3,000.00	\$ 497.32	\$ 51,750.11
	11	11.00	\$ 3,000.00	\$ 474.38	\$ 49,224.49
	12	11.00	\$ 3,000.00	\$ 451.22	\$ 46,675.71
1988					
	1	11.00	\$ 3,000.00	\$ 427.86	\$ 44,103.57
	2	11.00	\$ 3,000.00	\$ 404.28	\$ 41,507.85
	3	11.00	\$ 3,000.00	\$ 380.49	\$ 38,888.34
	4	11.00	\$ 3,000.00	\$ 356.48	\$ 36,244.82
	5	11.00	\$ 3,000.00	\$ 332.24	\$ 33,577.06
	6	11.00	\$ 3,000.00	\$ 307.79	\$ 30,884.85
	7	11.00	\$ 3,000.00	\$ 283.11	\$ 28,167.96
	8	11.00	\$ 3,000.00	\$ 258.21	\$ 25,426.17
	9	11.00	\$ 3,000.00	\$ 233.07	\$ 22,659.24
	10	11.00	\$ 3,000.00	\$ 207.71	\$ 19,866.95
	11	11.00	\$ 3,000.00	\$ 182.11	\$ 17,049.06
	12	11.00	\$ 3,000.00	\$ 156.28	\$ 14,205.34
1989					
	1	11.00	\$ 3,000.00	\$ 130.22	\$ 11,335.56
	2	11.00	\$ 3,000.00	\$ 103.91	\$ 8,439.47
	3	11.00	\$ 3,000.00	\$ 77.36	\$ 5,516.83
	4	11.00	\$ 3,000.00	\$ 50.57	\$ 2,567.40

FINAL PAYMENT OF \$ 2,590.93 \$ 23.53

TOTAL INTEREST PAID \$ 108,866.19

cc: Members of the Legislature  
Office of the Governor  
Office of the Lieutenant Governor  
State Controller  
Legislative Analyst  
Assembly Office of Research  
Senate Office of Research  
Assembly Majority/Minority Consultants  
Senate Majority/Minority Consultants  
Capitol Press Corps